

**REMARKS**

**I. Status of the Claims**

This response is being filed in response to an Office Action dated June 18, 2004. Claims 1-28 are pending in this application, stand rejected, and have been maintained unchanged. Claims 1, 13, 25 and 27 are independent. By the present Amendment, new claims 29 and 30 have been added. No new matter has been added. Applicant respectfully requests favorable reconsideration of the present application in light of the foregoing amendments and following remarks.

**II. Rejection Under 35 U.S.C. § 102(b)**

Claims 1-28 were rejected under 35 U.S.C. § 102(b) as being anticipated by U.S. Patent No. 6,631,356 to Van Horn et al. (“Van Horn”). According to the Office Action, Van Horn teaches every element of claims 1-28 of the application. Applicant respectfully traverses this rejection.

**A. The Invention as Claimed**

In general, embodiments of the invention provide systems and methods for auctioning shares of a pooled investment product, such as a mutual fund, wherein the return on the pooled investment product is guaranteed.

Each of the independent claims 1, 13, 25, 27, 29 and 30 is directed to an auction and recites that what is being auctioned is “shares of a pooled investment product” that declares a single net asset value. More specifically, the auction involves an investment product that “has achieved a hurdle rate”. “Hurdle rate” is defined on page 9 of the specification as a “rate of

return". Also, as recited in each independent claim, the "share price of the investment product at the hurdle rate" is known. As described in the specification, the hurdle rate recited in the claims removes substantially all the uncertainty and risk in bidding on the investment product. As stated on page 4, lines 19-25:

Also, because bidders are able to bid on the net asset value of the shares of an investment product after a predetermined hurdle rate has been achieved, bidders are able to determine which bid will yield an acceptable return on their investments. Risk to the investor's investment principal is primarily limited to the opportunity cost of placing a hold on the investor's capital during the auction itself as unsuccessful bidders do not make any payment and successful bidders know in advance that the investment outcome of their bid will be mathematically positive.

For example, by freezing the net asset value of the shares of the pooled investment product, such as a mutual fund or a closed-end investment company, when the fund reaches the hurdle rate, -- a certain rate of return --, the price of shares is known at the time of the auction. As recited in the claims, "the investment product information including a total number of available shares and the net asset value, the net asset value corresponding to a share price of the investment product at the hurdle rate" (Claim 1) is received at the server system. The shares of the fund maintain a specific share value, which is provided in advance to the bidders. Therefore, the bidders are aware of the respective return, which is reflected in a fixed bidding range that is defined in advance to the bidders, namely the range that is bound by the minimum share price and the then current share price at the hurdle rate. The hurdle rate referred to herein is a rate of return (for example, 2%) and can be represented mathematically by the spread between the minimum share price and the then current share price.

Once bids are received, they are allocated to winning bidders in a recursive process. The claims recite "successively determining" "a winning bidder" and "successively updating" "the

investment product information by reducing the number of available shares by the number bid by the winning bidder of shares until all of the shares have been allocated". As discussed below, Van Horn fails to teach or suggest these claimed features.

Additionally, in accordance with the embodiments of the invention of claims 2, 14, 26 and 28-30, the total potential return is known to each of the bidders in advance. Accordingly, the bidders are aware of the maximum potential gain. As recited in claim 2, a potential bidder's return per share in accordance with the embodiment of the invention of claim 2 is obtainable by taking the net asset value, which is known in advance, and subtracting the bid price. The bidder is provided with the net asset value in advance and the amount he/she chooses to bid is the individual bidder's decision. Therefore, each bidder is aware of his/her potential return based on his/her bid.

Moreover, in accordance with the embodiments of the invention as explicitly described in claim 25, the winning bidders can redeem the shares for cash following the close of the auction at a redemption price equal to the net asset value. Minimum and maximum bids are also specified, and accordingly, the bidders know the potential return of the shares based on their respective bids.

**B. Van Horn fails to teach or suggest the invention as claimed**

Applicant respectfully submits that Van Horn is fundamentally different from the invention and fails to teach or suggest the claimed invention.

*1. Van Horn fails to teach or suggest pooled investment products having reached a hurdle rate*

Applicant respectfully maintains that Van Horn fails to teach or suggest auctions for “pooled investment products”, such as mutual funds or closed-end investment companies, that reach a “hurdle rate”. Van Horn is directed mainly towards retail sale of goods or services (col. 1, lines 57-67), such as watches and inline skates (col. 4, lines 17-23; col. 6, lines 41-44), in which a hurdle rate is inapplicable. In fact, whereas Van Horn states that the product being sold could be “a tangible or intangible object or a service”, it does not mention investment products anywhere. Moreover, even if pooled investment products were taught or suggested, there is absolutely no suggestion to establish a hurdle rate for such products, as claimed. As described in the specification, the hurdle rate can help guarantee a rate of return. (Specification, page 4). Therefore, Van Horn does not teach or suggest “pooled investment products” having reached a “hurdle rate” as claimed.

Therefore, because Van Horn fails to teach or suggest an auction of a pooled investment product, such as a mutual fund or a closed-end investment company, which has a fixed, associated hurdle rate, Applicant respectfully submits that Van Horn fails to teach the invention as claimed.

***2. Van Horn fails to teach or suggest “successively determining” a winning bidder and “successively updating” the investment product information by “reducing the number of available shares...” as claimed***

Applicant respectfully submits that Van Horn fails to teach or suggest the claim elements of: “successively determining... a winning bidder” and “successively updating... the investment product information by reducing the number of available shares by the number bid by the winning bidder of shares until all of the shares have been allocated”. According to Van Horn, all

the products bid on are sold at the **same price** to all the bidders. In the claimed invention, however, the products are sold at **various prices** to multiple winning bidders, according to the various bids received. Therefore, Van Horn does not disclose or suggest, but rather teaches away from, “successively determining at the server system a winning bidder”. Van Horn only has one winning bid, one final sales price, and therefore teaches away from “successively determining” the winning bid based on varying bids from multiple bidders. Consequently, Van Horn does not disclose, but rather teaches away from, “successively updating” the number of shares available depending on the number of shares bid on by the winning bidder. Because the buying co-op described in Van Horn is closed once the “maximum number of available items is sold” (Col. 9, lines 8-9), there is neither a step of “successive determining” winning bidders, nor any successive allocation of shares of the pooled investment product. The co-op is closed once the last acceptable purchase offer that matches the goods available is received, and all buyer orders are then filled at the same price. Without any allocations or tiers, successive updates on the number of units of products remaining are not necessary.

Furthermore, whereas the invention “successively determin[es]” “a winning bidder”, Van Horn teaches away from it in col. 2, lines 1-9, stating that such a method is undesirable. For example, as recited in claim 3, the winning bidder may be the one with the highest bid, thereby maximizing the seller’s profit. In contrast, Van Horn states, “[m]oreover, the auction model further deteriorates the power of each individual buyer by pitting him or her against similarly situated buyers, all competing to pay the highest price for the item.” Van Horn is directed to maximizing the **buyers’** bargaining power by creating a buying group, thereby permitting them to “join forces” to “leverage their *combined* purchasing power” to obtain a lower price. (col. 1,

lines 13-20)(emphasis added). Rather than having the buyers compete and obtaining the highest price, which is in accordance with the invention, Van Horn provides for the buyers to work **together** to obtain the **lowest price**. Therefore, Van Horn teaches away from “determining... a **winning bidder**”, as claimed. If it is an objective of Van Horn to **eliminate competition** among bidders, the auction cannot include “successively determining... a winning bidder”, and subsequently “successively updating... the investment product information” by reducing the total number of shares by the number of shares bid on by the winning bidder, which are recited in each independent claim, and in fact, teaches away from them. Therefore, Applicant respectfully submits that Van Horn fails to teach or suggest the “successively determining... a winning bidder” and, moreover, teaches away from the invention.

***3. Van Horn fails to teach or suggest receiving investment product information including “a total number of available shares” as claimed***

Each of the independent claims 1, 13, 25, 27 and 29 recites that a “total number of available shares” is received. In other words, the total number of available shares is fixed. In contrast, Van Horn asserts that it is beneficial to allow the seller to increase or decrease the amount of products sold according to the bids received. (col. 2, line 66 to col. 3, line 3; col. 5, lines 1-8) According to Van Horn, this option of increasing the number of products being sold according to the bids received is beneficial because the buyers can purchase the items at a lower price, and the seller’s overall profit increases because of the increase in volume of goods sold. Accordingly, Van Horn teaches away from a system and method in which the number of products being auctioned is fixed, as is recited in the claims.

***4. Van Horn fails to teach or suggest a “return” as claimed in claims 2, 14, 26 and 28-30***

Applicant respectfully submits that Van Horn fails to teach or suggest a “return” as recited in claims 2, 14, 26 and 28-30. Claim 2 defines a “return” as “the difference between the net asset value and the respective winning bidder’s bid price per share multiplied by the number of shares bid”. Van Horn fails to disclose or suggest a return associated with the product being purchased. In fact, the buyer does not receive a “return”, because he/she is purchasing goods or services, for which there is no calculatable return.

***5. Van Horn fails to teach or suggest a “redemption price” as claimed in independent claims 25 and 29***

Applicant respectfully submits that Van Horn fails to teach or suggest a “redemption price” as recited in independent claims 25 and 29. Claims 25 and 29 define “redemption price” as the share price of the investment product at the hurdle rate, in which the fund shares can be redeemed immediately for cash following the auction. Van Horn fails to disclose or suggest a redemption price associated with the product being purchased. In fact, redemption is not even a part of the buyer’s process. As stated above, Van Horn is directed mainly towards retail sale of consumer goods in which redemption is inapplicable.

Furthermore, an auction of shares at a price below its current share price, or “redemption price” as defined in claims 25 and 29, is not an inherent option in the purchase of pooled investment products. Bidding on a fund with an embedded hurdle rate reflected in a discounted price range below the fund’s current calculated share price is not inherent in the purchase of a pooled investment product, and therefore updating bidder account information for each of the

winning bidders to reflect an investment return as defined in claim 28 is also not inherent in the purchase of a pooled investment product. Furthermore, as described above, because the redemption price is tied to the hurdle rate, a guaranteed return to the winning bidders is possible. The claim limitation is not saying the pooled investment product having a redemption price, but rather, “the redemption price per share correspond[s] to the share price of the investment product at the hurdle rate.” Therefore, the claim explicitly recites a relationship between the hurdle rate and redemption price. This claimed relationship is neither taught nor suggested. Because a hurdle rate is not necessarily included in the purchase of a pooled investment product, neither is the recited “redemption price”, the claim element “redemption price” is not taught, either explicitly or inherently, or suggested.

***6. Van Horn fails to teach or suggest a “minimum price per share” as claimed in independent claims 25 and 29***

Applicant respectfully submits that Van Horn fails to teach or suggest a “minimum price per share” as recited in independent claims 25 and 29. In contrast, Van Horn does not predetermine the lowest price but expects and provides for the price range to constantly change. The bidders in Van Horn can change the price range by making contingent offers at a lower price level (abstract). Van Horn provides for bids lower than the then-current price range to be stored and used to potentially change the price range for the product (abstract). Therefore, Van Horn teaches away from a “minimum price per share” of the invention which is predetermined and cannot be influenced by the bidders.

For all the foregoing reasons, favorable reconsideration and withdrawal of this rejection are respectfully requested.

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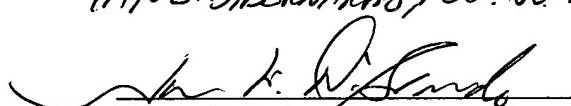
### CONCLUSION

Applicant respectfully submits that all outstanding rejections have been addressed and are now either overcome or moot. Applicant further submits that all claims pending in this application are patentable over the prior art. Favorable reconsideration and withdrawal of those rejections and objections is respectfully requested.

Favorable consideration and prompt allowance of this application is respectfully requested. In the event that there are any questions, or should additional information be required, please do not hesitate to contact Applicant's attorney at the number listed below.

Respectfully submitted,

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